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SUBJECT: NIGERIA: WEEKLY NEWS REVIEW #2

Classified by Ambassador Howard F. Jeter. Reasons 1.5 (b) and (d).

1. (U) This is the second edition of what will be a weekly roundup of significant developments in Nigeria.

BENUE COMMISSION OF INQUIRY FINALLY ESTABLISHED

1. (U) On March 6 President Obasanjo inaugurated a 10-person Judicial Commission of Inquiry to review communal violence in Benue, Nassarawa, Plateau and Taraba states. The Commission will be chaired by Justice Okechukwe Openo, and includes Alhaji Mohammed Liman, Micleans Dikwal, Daniel Agogo, Alhaji Haruna Ahmadu, Ambassador Yahaya Abdullahi, Alhaji Yahaya Hamza, Chief Patrick Okon, Ruth Akafa and Dr. Sani Suji. As part of its mandate, the commission will investigate the October 2001 execution of 19 soldiers by Tiv militiamen and the reprisal attacks by angered soldiers that killed over 200 Tiv villagers.

2. (U) According to media reports, the committee's terms of reference are: 1) Examine the proximate causes of the conflicts; 2) Identifying the basic issues underlying tension between communities and providing strategies for peace; 3) Identify groups and individuals involved in the crises; 4) Recommend appropriate sanctions; 5) Examine the roles of states and local governments and traditional authorities; 6) Provide recommendations to improve existing security arrangements; and 7) Provide recommendations on other measures to secure peace and facilitate reconciliation between communities.

NITEL Privatization Rocky

3. (U) This is the third week of a six-week extension provided International Investors Limited (IIL), the winning bidder for 51 percent shares of NITEL. The extension was granted to give IIL time to raise the USD 1.3 billion due to complete the bid. However, IIL seems no closer to finding the needed capital. Observers speculate that the extension was granted not so much for IIL but to give GON time to figure out an alternate course given the possibility of IIL falling on its face.

4. (U) IIL may be forced to drop its NITEL bid, despite the non-refundable USD 132 million paid to Bureau of Public Enterprise (BPE), because the financial markets lack stomach for the deal and will not provide the cash. If IIL fails to raise the funds by March 26, the consortium must be disqualified and the sale reopened to the alternate bidders. The second bidder Telnet, which offered only USD 7 million less than IIL, has lost interest in the deal. However, the third bidder Newtel, at USD 1.017 billion, has expressed continued interest.

IMF Mission Concludes No Formal Program Possible

5. (U) The IMF mission to Nigeria departed March 7 after concluding that Nigeria's macroeconomy faced too many uncertainties to establish a formal IMF program at this time. Despite fourth quarter 2001 progress reducing GON spending, slowing money supply growth, stabilizing inflation and raising petroleum prices, agreed targets in the informal program were not met. In the absence of a finalized 2002 budget and the lack of political commitment to hold spending below 2001 levels, the IMF and GON concluded that an IMF program in 2002 was unsustainable. The IMF, however, will retain staff in Nigeria and will provide technical assistance and capacity-building, as the GON requests.

16. (C) The GON wanted an IMF program but one with much less belt tightening. Trying to turn this economic failure into political victory, the GON publicized "its decision" to forego an IMF program before the IMF itself could announce that Nigeria had failed to conclude an agreement. Administration critics have complained that Obasanjo has been too eager to follow IMF's strictures and has been too insensitive to the hardship imposed on the average Nigerian by IMF economic remedies. By ending the formal tie with the IMF, Obasanjo hopes to strike a populist chord and pick up some electoral support because he stood up to the IMF.

POLICE CHIEF FIRED/ POLICE STRIKE STILL ON?

17. (U) Ineffectual Police Inspector General Musilu Smith was sacked on March 7. Smith had been in trouble after incorrectly telling the President that the Police would not strike in January over their salary and allowance arrearages. The January strike ended only after Government jailed its leaders while promising to pay the arrearages. However, the money has not been dispersed and many officers feel they have been duped. Strike threats have resurfaced with March 11 seen as a possible strike date. Our Police sources say that Police support for a renewed strike is divided. Roughly half the officers are sympathetic to a strike but it is unclear how many will actually answer the call.

18. (C) Comment: To a certain degree, Smith has been made a scapegoat. The allowance arrears are not entirely his fault. Nonetheless, the Administration probably reasoned that jettisoning Smith now would douse support for a strike. Since Smith lacked a political base and because his generally lackluster performance made him expendable, the decision to remove him was inevitable. End comment.
Jeter